

**SPTF Annual Meeting**  
Mexico City – June 8, 2017

**Case Study 3: Innovations for Creating Shared Value**

Moderator: *Fabiola Céspedes, Función Social (Bolivia)*

Speakers:

- *Edgardo Pérez, Fundación Génesis Empresarial (Guatemala)*
- *Liliana Portillo Miranda, ASP Integra Opciones (Mexico)*
  
- Fabiola started the session by introducing Edgardo and Liliana, and commenting how innovations are necessary for institutions to create shared value with clients.
- Edgardo: I'm going to tell you how an institution can go from basic coverage to massive coverage. One of the keywords here is massive.
  - The mission of Génesis: Provide agile and timely financial and non-financial services, accompanied by counseling and training, to microenterprise, small business and rural communities, to achieve their sustained development in a massive way, accelerating the progress of Guatemala
  - Génesis has 79 branches, 14 offices, and 457 *Cajas de Desarrollo*. It has 100,000 customers and active portfolio of about USD \$110.2 million
  - The development of the *Cajas de Desarrollo* was explosive. Unfortunately, in Guatemala only 20% of the population has access to financial services. This was one of the most important channels to allow us to address this deficit.
  - Background of *Cajas de Desarrollo*
    - Until two years ago, we relied on the banks to provide payments. Relying on other institutions to help your clients is a challenge. If the bank doesn't have liquidity that day, the clients are not going to get money.
    - Customers often were addressed with offers that generated over-indebtedness.
    - Customers had to get a copy to confirm if he had ever made the payment.
    - The customer was subject to bank hours.
    - We did not have any online connections.
    - We had an operational problem. It became very difficult to have any expansion.
  - Génesis wanted to have shared value with clients. It created *Cajas de Desarrollo*. How it works:
    - Client businesses can decide to have a *Caja de Desarrollo*, which authorizes them to have a credit line so it can have cash flow to facilitate different transactions. People then come to the business for different types of transactions: loan payments, public service payments, utility payments, credit card payments, etc.
    - This increases the flow of customers (transactions and consumption) into the stores. This results in higher profits for each transaction so you have a better quality of life.
    - Génesis offers constant training and advice to the *Caja* operators, as well as access to technology

- It allows Génesis to have greater coverage to increase outreach.
    - Génesis follows the Client Protection Principles in all its products, including the *Cajas*.
  - To start, it did a pilot project from July 2016 to May 2017 to identify clients, evaluate the point, analyze transactions and analyze any correlations. It started with 44 *Cajas de Desarrollo* and had 457 by May 2017. It is hoping to have 2,500 by February 2018.
  - By December, it wants to totally eliminate the participation of banks from its clients' transactions.
- Liliana of ASP
  - ASP Integra Options (Northeastern Business Options), has been operating for more than 16 years. It first offered credit and is now eligible for savings, investment and insurance services. It is a SOFIPO.
  - It is focused on serving the needs of microentrepreneurs, which currently does not interest commercial banking. Interested in providing credit for their businesses, improving their housing and diversifying consumption. It provides progressive savings, investment and microinsurance.
  - It currently has 30 branches and more than 300 financial correspondent agents. Its challenges are to continue to develop technology and logistics platforms, allowing it to provide financial services that are more timely and closer to people, making it less costly for the institution and competitive for customers.
  - Financial correspondents in Mexico
    - In 2013-14, regulators enacted a reform, which allowed SOFIPOS to use financial correspondents with the purpose of expanding their services. It made the market more even and fair for all the savings and credit institutions.
    - At the beginning of this year ASP (SOFIPO) was authorized by the regulatory authority to operate through financial correspondents, the first non-banking institution, after banks and under a more innovative model.
  - Why did ASP want to work with financial correspondents?
    - Closer to customers in the urban and rural areas, where the installation of branches was not economically viable.
    - Attend to a more distant market with products designed for those markets.
    - Contribute to the financial inclusion of the country, with products like savings, credit, payments and insurance.
    - Reach more sectors of the population at a low cost.
    - Expand more channels of commercialization and distribution
    - Economies of scale, with the average cost of opening a branch equal to opening about 60 correspondents. Business generation of more than 30% in the latter.
    - Continue reinventing ourselves to expand new service distribution channels.
  - It set up the *Ventanilla Fácil* program, which has windows in various agents' stores.
    - It uses a point-of-sale terminal.
    - It has banners, pendants and information leaflets of financial and non-financial services. These help clients understand the offerings.

- Technology: Through the use of encryption algorithms, encrypted media and robust applications installed in our servers and POS terminals, we offer the customer a security system that guarantees the confidentiality in the use of their information.
  - *Ventanilla Fácil* operating diagram
    - The commissioner's manager is an independent entity and has a technology platform and an operating structure of its own. Commissioner agents operate in the name and on behalf of the SOFIPO.
    - The commissioner manager finds appropriate agents to operate the *Ventanilla Fácil*. Our main customers are the same ones accredited by SOFIPO.
    - The managers equip the *Ventanilla Fácil* with equipment and publicity materials. They train the agents on the management of a *Ventanilla Fácil*.
    - The manager tracks the operation of the *Ventanilla Fácil*, coaches the agents and monitors the usage. He/she also makes available an online technical support area.
    - The SOFIPO maintains an automated tracking process, has a customer call center, conducts audits and has specialized advisors. Its branches promote the *Ventanilla Fácil* for credit payments, consultations, withdrawals, deposits and other services.
  - Benefits for clients
    - Have immediate access where they live to do transactions
    - Don't pay much for transportation because the shop is close
    - Extended hours
    - Guaranteed confidentiality because we're a regulated agency and the project is authorized by the regulatory body
  - Benefits for commission agents
    - Greater distinction for their business
    - More merchandise sales because increased customer flow
    - Increased income, about 7,000 pesos a month.
  - Benefits for SOFIPO
    - Financial inclusion
    - Serving clients at lower cost
    - Greater coverage and positioning
- Challenges to the *Ventanilla Fácil* model
  - The initial technology was not fully adapted to our needs
  - We could not officially operate correspondents when we started.
  - Some SOFIPO staff were resistant to the change, which prevented the model from evolving quickly. Training materials and schemes were required for operational and agent staff.
  - A computer development group was integrated to adapt and develop the applications that the business model demanded, as well as the operating manuals, administration, systems etc.
  - At the moment, the whole operation is automated and there are monitors that indicate in real time the status of each one of the windows.
  - The recent authorization granted by the regulatory authority to allow us to provide savings, credit and payments, was achieved relatively quickly compared with other banking institutions

- With robust security schemes, we can guarantee transparency and security for our clients.
- Important lesson learned: Pay special attention to the selection and use of technology, and make sure it is tailored to your logistical needs and to the institution's systems.
- *Question to Edgardo: What are the challenges you have faced with communications to clients and lessons you have learned?*
  - Edgardo: The most important challenge we faced was the balance of cash in/cash out at each point. Most *Cajas* are existing clients. We know their business and cash flows because we've served them for several years. The management of cash in/cash out is key. To compensate for the exit of money, we coordinate with easy sources of money. For that, needed monitoring systems to check online the cash flow of each of the accounts.
  - It's difficult to have efficient services. We manage this online.
  - From a management point of view, we agree that training and physical presence are key so service is consistent. We need large human infrastructure in terms of coverage for branches. We need executives visiting the stores, which brings up issues of training when certain products are being introduced.
  - We sell microinsurance and water filters as part of SPM, and these *Cajas* are another part of the SPM network. We have different ways of providing trainings, such as videos through tablets or in-person through a network of trained people across the country.
  - Operational challenges include software and statistics control.
  - We also have the POS. in this case, the business promoter has incentives for recruitment and the health of portfolio. This is key for management of delinquency rates.
  - The promoter is the best ally to have improved services. Growth is not complicated because the promoter is constantly saying "Go to this store." The most complex thing is cash management. How do we supply them with cash? We open a credit line, which is a big electronic wallet. If they exceed the limit, we tell them to go to the bank because they are exceeding the limit to have transactions in cash. If it's underneath a certain limit in the wallet, they run the risk of having transactions they cannot pay. This is a complex challenge.
- *Question to panel: How do you minimize risk?*
  - Edgardo: How do we mitigate theft? We have a credit line for agents. He himself is responsible for balance. If there is a mismatch of the balance at the end, he is responsible for paying for it. He signs a promissory note. There are some exceptions if the mismatch is not due to fraud. Another risk is getting mugged.
  - Liliana: The main risks are theft or robbery. We haven't had any thefts recently. There is not a theft risk for clients because it's an online operation and the withdrawals are shown in the electronic system. It's the operators' money that is at risk.
- *Question to panel: How do you communicate your risk mitigation to clients? How have you developed trust with them?*
  - Liliana: Setting up a *Ventanilla Fácil* is not easy. You need to profile who is there, if they're known in the neighborhood, what their reputation is. If the end user goes to a store, they have trust between that store, and they have the backing of an authorized financial institution. We do look at who the agent is and who is

managing that. When a *Ventanilla Fácil* is managed by employees, we carry out a more in-depth study. We try to focus on mom-and-pop stores because we want them to be responsible for the store.

- Edgardo: It's key to have constant contact with business managers. The closest branch manager visits once or twice a month. We provide constant training in consumer protection. We tell them this will be useful to them because the store owner is going to have more business. We have to have careful selection. You don't want the shop to have to close. That would harm the client, and it would also hurt our reputation.
- Edgardo: We have an organizational structure dealing with claims and have many channels that have contact with the customer: call centers, promoters, etc. Any type of claim should be submitted to the closest authority. Our intention is to have all possible channels open so we can solve issues.
- *Question to Liliana. Did the creation of the product increase the costs? If so, who pays for the cost?*
  - Liliana: When we hire an agent manager, this is their technology. Our costs don't increase because they are in charge of that. Manager has its own staff trained for that branch. Our costs decreased because we're not investing in training a teller, we're paying a commission agent manager.
- *Question: Do these businesses close down often? How do you look at training?*
  - Edgardo: The big difference from the different networks that we know of is that these are our clients, where we set up the tellers. So there's tradition, history. They can refer clients and access other types of products (insurance, water filters, etc.) We have not had a client thus far that has closed shop on us. If you have a good selection process, you minimize the negative impact. Training is a key ingredient for us. The storekeeper has to be well-served in terms of frequency and quality of information. If he sees it as profitable, it's great for them because it produces more traffic and visits than they had before.
  - Liliana: We don't just open them for the sake of doing it. When we start a *Ventanilla Fácil*, we ask the commission agent: who is serving it? We need to know who is doing the transaction. We provide training on this from the beginning. A teller can't provide every product that a SOFIPO provides.
  - Edgardo: I agree that it is important to look at the sectors and segment the areas. We diversify them and look at sectors – hardware stores, corner stores, etc. – so they do not compete with one another. We do not have exclusivity contracts with them. We want them to have businesses that work for them.
- *Question: How do you provide financial education?*
  - Liliana: We tell people there's going to be a workshop, and we tell them to invite people who come to the store. There's usually 20-30 people. We tell them how to save, how to use proper funding.
- *Question: In some countries, we serve the same segments that already have access to financial service but at a lower cost. The hope of alternative channels was to reach other populations. Have you been able to reach different areas? Have you had greater penetration of financial services?*
  - Edgardo: This is a strategic issue for market penetration. We started out of need. The first phase was to cover the deficit of people who did not have access to financial services. Then, the second phase was to expand and minimize transportation time.



- Fabiola concluded by saying the innovation in these projects is clear, and that they are quite different than a traditional bank. For these innovations to be successful, they must be tied to the purpose and the mission of the institution.